

# Callan



April 23, 2026

**Alaska Mental Health Trust  
Authority**

Budget Reserves Discussion

---

**Steve Center, CFA**  
Fund Sponsor Consulting

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

# Introduction

## Presenters

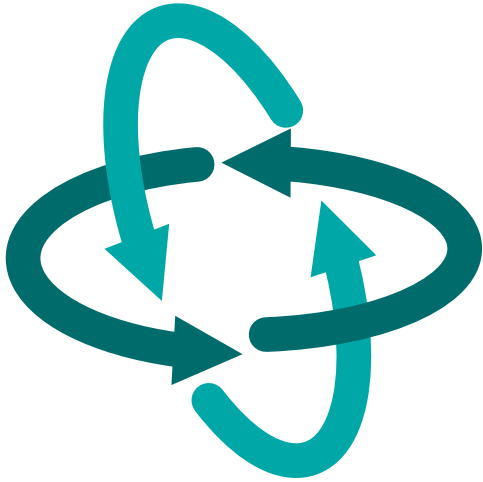


### **Steve Center, CFA**

- 16<sup>th</sup> year with Callan, 27<sup>th</sup> Year in the industry
- Senior Vice President, West Coast Consulting Team
- Callan Shareholder
- Manager Search Committee Member
- MBA, University of Washington
- BA, University of California, Irvine

---

## Today's Agenda



---

### Budget Reserves

- Role of the Budget Reserves account
- Split between Department of Revenue and APFC

Callan

---

**Budget Reserves Account**

---

## Budget Reserves Account

A “Cushion” to Support Long-Term Trust Activity, Not Simply “Spensible Assets”

- The Alaska Mental Health Trust Authority maintains budget reserves to ensure **stable funding for beneficiaries**.
- The Budget Reserves account serves to provide a cushion to necessary spending—it should provide the Board with assurance the Trust will be able to meet its annual funding needs and be able to make consistent payouts during periods of financial market volatility, dislocation, market correction or illiquidity.
- The current reserve target calls for maintaining a Budget Reserve account with a balance of at least 400% of the most recent calculated annual withdrawal.
- The current Budget Reserves target balance is approximately \$137 million.

---

## Budget Reserves Account

### Current Investment Structure Overview

- The Budget Reserve account is divided between the Alaska Permanent Fund Corporation (“APFC”) and the Department of Revenue (“DoR”).
  - The APFC portion of the Budget Reserves account invests alongside the Trust in the Permanent Fund, which consists of a broadly diversified portfolio of institutional-quality public and private market assets. This portion of Budget Reserves is spendable income but **may be less accessible during periods of market volatility.**
  - The DoR portion of the Budget Reserves account invests in highly liquid public market investments, including 50% in global public equities, 49% in public bonds, and 1% in cash and equivalents. This portion of Budget Reserves is spendable income and **will likely be more accessible during periods of financial market volatility.**
- Historically, the Budget Reserves account has been managed with a goal of being evenly split between APFC and DoR (50%/50%).

## Budget Reserve Allocation Decision

### Proposal to Increase the Department of Revenue Portion to 75%

- Callan has proposed increasing the portion of the Budget Reserves account managed by DoR from 50% to 75%
  - The DoR Budget Reserves portfolio consists of highly liquid, publicly tradeable investments
  - The DoR portfolio has a lower return target, and a lower risk profile, when compared to APFC
- When comparing the two asset mixes, increasing the DoR share of Budget Reserves from 50% to 75% reduces the overall projected volatility of the Trust without having a material impact on the projected 10-year return—and slightly increases the Total Trust’s Sharpe Ratio

|                                | APFC   | DOR<br>Budget Reserves | Total Trust <sup>1</sup> w/<br>50%/50% BR | Total Trust w/<br>75%/25% BR |
|--------------------------------|--------|------------------------|---|------------------------------|
| U.S. Equity                    | 22.4%  | 28.1%                  | 22.8%                                     | 23.1%                        |
| Non-U.S. Equity                | 9.6%   | 21.9%                  | 10.5%                                     | 11.0%                        |
| Fixed Income                   | 20.0%  | 49.0%                  | 22.2%                                     | 23.3%                        |
| Private Equity                 | 18.0%  | -                      | 16.6%                                     | 15.9%                        |
| Private Income                 | 10.0%  | -                      | 9.2%                                      | 8.8%                         |
| Real Estate                    | 11.0%  | -                      | 10.2%                                     | 9.7%                         |
| Absolute Return                | 7.0%   | -                      | 6.5%                                      | 6.2%                         |
| Tactical Opportunities         | 1.0%   | -                      | 0.9%                                      | 0.9%                         |
| Cash & Equivalents             | 1.0%   | 1.0%                   | 1.0%                                      | 1.0%                         |
| 10-Year Geometric Mean Return  | 7.30%  | 6.52%                  | 7.25%                                     | 7.22%                        |
| Projected Standard Deviation   | 12.65% | 9.60%                  | 12.43%                                    | 12.29%                       |
| 10-Year Simulated Sharpe Ratio | 0.33%  | 0.36%                  | 0.33%                                     | 0.34%                        |

---

## Budget Reserves Account

### Additional Points of Discussion

- The Budget Reserves account, managed by APFC and DOR, is Trust spendable income
- The DoR Budget Reserves portfolio offers a Trustee-directed highly-liquid compliment to the APFC portfolio
- The Trust's annual payout is funded from Budget Reserves—a lower risk asset allocation for DOR Budget Reserves allows the Trust more assured access to funds to support annual spending
- While APFC's investment profile/asset allocation is out of the control of the Board, the DoR Budget Reserves portfolio's asset allocation target is set annually by the Finance Committee and Board
  - The DoR Budget Reserves portfolio has reduced its overall risk profile over the last few years as interest rates have risen
  - The current Dor Budget Reserves portfolio has a 50% allocation to equities after the Board approved reducing the equity allocation from 57% in FY2025
- The median expected 10-year return for the Trust investment portfolio with a 75%/25% Budget Reserves split is 7.22%, which is sufficient to meet the current 4.5% annual payout plus inflation

---

## Important Disclosures

Information contained in this document may include confidential, trade secret and/or proprietary information of Callan and the client. It is incumbent upon the user to maintain such information in strict confidence. Neither this document nor any specific information contained herein is to be used other than by the intended recipient for its intended purpose.

The content of this document is particular to the client and should not be relied upon by any other individual or entity. There can be no assurance that the performance of any account or investment will be comparable to the performance information presented in this document.

Certain information herein has been compiled by Callan from a variety of sources believed to be reliable but for which Callan has not necessarily verified for accuracy or completeness. Information contained herein may not be current. Callan has no obligation to bring current the information contained herein.

Callan's performance, market value, and, if applicable, liability calculations are inherently estimates based on data available at the time each calculation is performed and may later be determined to be incorrect or require subsequent material adjustment due to many variables including, but not limited to, reliance on third party data, differences in calculation methodology, presence of illiquid assets, the timing and magnitude of unrecognized cash flows, and other data/assumptions needed to prepare such estimated calculations. In no event should the performance measurement and reporting services provided by Callan be used in the calculation, deliberation, policy determination, or any other action of the client as it pertains to determining amounts, timing or activity of contribution levels or funding amounts, rebalancing activity, benefit payments, distribution amounts, and/or performance-based fee amounts, unless the client understands and accepts the inherent limitations of Callan's estimated performance, market value, and liability calculations.

Callan's performance measurement service reports estimated returns for a portfolio and compares them against relevant benchmarks and peer groups, as appropriate; such service may also report on historical portfolio holdings, comparing them to holdings of relevant benchmarks and peer groups, as appropriate ("portfolio holdings analysis"). To the extent that Callan's reports include a portfolio holdings analysis, Callan relies entirely on holdings, pricing, characteristics, and risk data provided by third parties including custodian banks, record keepers, pricing services, index providers, and investment managers. Callan reports the performance and holdings data as received and does not attempt to audit or verify the holdings data. Callan is not responsible for the accuracy or completeness of the performance or holdings data received from third parties and such data may not have been verified for accuracy or completeness.

Callan's performance measurement service may report on illiquid asset classes, including, but not limited to, private real estate, private equity, private credit, hedge funds and infrastructure. The final valuation reports, which Callan receives from third parties, for of these types of asset classes may not be available at the time a Callan performance report is issued. As a result, the estimated returns and market values reported for these illiquid asset classes, as well as for any composites including these illiquid asset classes, including any total fund composite prepared, may not reflect final data, and therefore may be subject to revision in future quarters.

The content of this document may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact. The opinions expressed herein may change based upon changes in economic, market, financial and political conditions and other factors. Callan has no obligation to bring current the opinions expressed herein.

The information contained herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties. Actual results may vary, perhaps materially, from the future results projected in this document. Undue reliance should not be placed on forward-looking statements.

Callan is not responsible for reviewing the risks of individual securities or the compliance/non-compliance of individual security holdings with a client's investment policy guidelines.

This document should not be construed as legal or tax advice on any matter. You should consult with legal and tax advisers before applying any of this information to your particular situation.

Reference to, or inclusion in this document of, any product, service or entity should not necessarily be construed as recommendation, approval, or endorsement of such product, service or entity by Callan. This document is provided in connection with Callan's consulting services and should not be viewed as an advertisement of Callan, or of the strategies or products discussed or referenced herein.

---

## Important Disclosures (continued)

The issues considered and risks highlighted herein are not comprehensive and other risks may exist that the user of this document may deem material regarding the enclosed information. Please see any applicable full performance report or annual communication for other important disclosures.

Unless Callan has been specifically engaged to do so, Callan does not conduct background checks or in-depth due diligence of the operations of any investment manager search candidate or investment vehicle, as may be typically performed in an operational due diligence evaluation assignment and in no event does Callan conduct due diligence beyond what is described in its report to the client.

Any decision made on the basis of this document is sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

Past performance is no guarantee of future results.

---

## About Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional investor with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan provides advisory services to institutional investor clients with more than \$3 trillion in total assets, which makes it among the largest independently owned investment consulting firms in the U.S. Callan uses a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. For more information, please visit [www.callan.com](http://www.callan.com).

# Callan

---

### Corporate Headquarters

One Bush Street  
Suite 700  
San Francisco, CA 94104

[www.callan.com](http://www.callan.com)

### Regional Offices

Atlanta  
Chicago  
Denver  
New Jersey  
Portland



Callan